

Please answer the following 5 questions in your notes:

1. What is capitalism?
2. What is capital?
3. What ways of thinking are included in capitalism?

4. What is the result of the division of labor?
5. What are the +’s and –’s of this economic system?

Capitalism is a difficult, problematic term; it applies to a diversity of phenomenon spread across disparate historical cultures with substantially variable world views. However, the term is an Enlightenment European term used to describe European practices; so the term "capitalism" means more than just a body of social practices easily applied across geographical and historical distances, it is also a "way of thinking," and as a way of thinking does not necessarily apply to earlier European origins of capitalism or to capitalism as practiced in other cultures.

The earliest forms of capitalism—which we call "mercantilism"—originate in Rome, the Middle East, and the early Middle Ages. Mercantilism might be roughly defined as the distribution of goods in order to realize a profit. Goods are bought at one site for a certain price and moved to another site and sold at a higher price. As the Roman empire expanded, mercantilism correspondingly expanded. But the contraction of the Roman empire from the fifth century onwards also contracted mercantilism until, by the 700's, it was not a substantial aspect of European culture, that is, European economies tended to localize. Arabic cultures, on the other hand, had a long history of mercantilism, living as they did on the trade routes between three great empires: Egypt, Persia, and later Byzantium. As Islam from the seventh century A.D. onwards spread like wildfire across Northern Africa, Spain, the Middle East and Asia, Arabic mercantilism assumed an unprecedented global character. The medieval Europeans essentially learned mercantilism from their Islamic neighbors, evidenced in large part by the number of economic terms in European languages that are derived from Arabic, such as tariff and traffic. From the 1300's, Europeans would begin expanding their mercantile practices, resulting in a social mobility hitherto unseen in European culture as well as pushing Europeans, as it did the Muslims, to explore distant parts of the globe. The voyages of discovery were entirely driven by mercantile ambitions.

As time went on in Europe, mercantilism gradually evolved into economic practices that would eventually be called **capitalism**. Capitalism is based on the same principle as mercantilism: the large-scale realization of a profit by acquiring goods for lower prices than one sells them. But capitalism as a practice is characterized by the following:

- ✦ The accumulation of the means of production (materials, land, tools) as property into a few hands; this accumulated property is called "capital" and the property-owners of these means of production are called "capitalists."
- ✦ Productive labor—the human work necessary to produce goods and distribute them—takes the form of wage labor. That is, humans work for wages rather than for product. One of the aspects of wage labor is that the laborer tends not to be invested in the product. Labor also becomes "efficient," that is, it becomes defined by its "productivity"; capitalism increases individual productivity through "the division of labor," which divides productive labor into its smallest components. The result of the division of labor is to lower the value (in terms of skill and wages) of the individual worker; this would create immense social problems in Europe and America in the nineteenth and twentieth centuries.
- ✦ The means of production and labor is manipulated by the capitalist using *rational calculation* in order to realize a profit. So that capitalism as an economic activity is fundamentally teleological.

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As a way of thinking, capitalism involves the following:

- ✱ Capitalism as a way of thinking is fundamentally individualistic, that is, that the individual is the center of capitalist endeavor. This idea draws on all the Enlightenment concepts of individuality: that all individuals are different, that society is composed of individuals who pursue their own interests, that individuals should be free to pursue their own interests (this, in capitalism, is called "economic freedom"), and that, in a democratic sense, individuals pursuing their own interests will guarantee the interests of society as a whole.
- ✱ Capitalism as a way of thinking is fundamentally based on the Enlightenment idea of progress; the large-scale social goal of unregulated capitalism is to produce wealth, that is, to make the national economy wealthier and more affluent than it normally would be. Therefore, in a concept derived whole-cloth from the idea of progress, the entire structure of capitalism as a way of thinking is built on the idea of "economic growth." This economic growth has no prescribed end; the purpose is for nations to grow steadily wealthier.
- ✱ Economics, the analysis of the production and distribution of goods, has to be abstracted out of other areas of knowledge. In other words, capitalism as a way of thinking divorces the production and distribution of goods from other concerns, such as politics, religion, ethics, etc., and treats production and distribution as independent human endeavors. In this view, the fundamental purpose and meaning of human life is productive labor. Marxism, which has more in common with capitalism than it has differences, also bases itself on these ideas.
- ✱ The economic world view treats the economy as if it were mechanical, that is, subject to certain predictable laws. This means that economic behavior can be *rationally calculated*, and these rational calculations are always *future-directed*. So, the mechanistic view of the economy leads to an exclusively teleological world picture; capitalism as a manipulation of the "machine" of the economy is always directed to the future and intentionally regards the past as of no concern. This, in part, is one of the fundamental origins of modernity, the sense that the cultural present is discontinuous with the past.
- ✱ The fundamental unit of meaning in capitalist and economic thought is the *object*, that is, capitalism relies on the creation of a consumer culture, a large segment of the population that is not producing most of what it is consuming. Since capitalism, like mercantilism, is fundamentally based on distributing goods—moving goods from one place to another—consumers have no social relation to the people who produce the goods they consume. In non-capitalist societies, such as tribal societies, people have real social relations to the producers of the goods they consume. But when people no longer have social relations with others who make the objects they consume, that means that the only relation they have is with the object itself. So part of capitalism as a way of thinking is that people become "consumers," that is, they define themselves by the objects they purchase rather than the objects they produce.

Source: The European Enlightenment Glossary, "Capitalism", by Richard Hooker. ([www.wsu.edu/~dee/GLOSSARY/CAPITAL.HTM](http://www.wsu.edu/~dee/GLOSSARY/CAPITAL.HTM))